



TO: Members of the Iowa Senate
Members of the Iowa House of Representatives

FROM: Jess Benson

DATE: March 9, 2015

February Medicaid forecast February 2015

Forecasting Group. Staff members from the Department of Human Services (DHS), the Department of Management (DOM), and the Fiscal Services Division of the Legislative Services Agency (LSA) met on February 27, 2015, to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2015 and FY 2016. The forecasting group meets regularly to discuss revenues and expenditures and agree on an estimate for the current and upcoming fiscal years.

Medicaid Balance Sheet			
	<i>Actual FY 2014</i>	<i>Estimated FY 2015</i>	<i>Estimated FY 2016</i>
Medicaid Funding			
Carryforward from Previous Year	\$ 10,030,023	\$ 0	\$ 0
MH Risk Pool Carryforward	1,839,294	0	0
Palo Tax	1,004,356	1,379,442	1,216,383
Health Care Trust Fund	225,591,447	221,790,000	221,790,000
Nursing Facility Quality Assurance Fund	28,788,917	29,195,653	29,195,653
Hospital Trust Fund	34,253,871	34,700,000	34,700,000
hawk-i Performance Bonus	10,857,652	177,017	0
Medicaid Fraud Fund	8,717,020	2,422,695	0
Appropriation Transfers	15,314,423	0	0
Magellan Revenue	8,700,000	0	0
Total Non-General Fund for Medicaid	\$ 345,097,003	\$ 289,664,807	\$ 286,902,036
General Fund Appropriation	\$ 1,135,293,332	\$ 1,250,658,393	\$ 1,250,658,393
Total Medicaid Funding	\$ 1,480,390,335	\$ 1,540,323,200	\$ 1,537,560,429
Total Estimated State Medicaid Need	\$ 1,434,393,209	\$ 1,549,813,992	\$ 1,644,654,995
FMAP Changes	52,556,122	79,120,038	56,105,434
Changes Related to ACA	748,199	-10,686,254	0
Eliminate IowaCare Transfer	0	-11,921,225	0
Cost Reductions (BIP, STD Assessment)	-4,000,000	0	0
Health Home Savings	0	-9,135,935	0
Balancing Incentive Program	-1,049,597	-1,108,354	0
Cost Containment	-28,910,009	0	0
County Billing Write-offs	-955,235	0	0
Nursing Facility Rebase	15,268,148	1,250,000	32,500,000
Home Health Rebase	2,765,655	0	3,900,000
Hospital Rebase	0	0	5,400,000
Hospital Inpatient Psych Cost-Based Adj.	0	0	1,000,000
HCBS Waiver Increase	9,308,335	6,000,000	0
Miller Trust 125.0% of Statewide Average	0	252,000	0
All Other Provider Increases	4,765,508	238,938	0
Transfers not made in FY 2014	-4,500,000	4,500,000	0
Total Estimated Medicaid Need	\$ 1,480,390,335	\$ 1,608,323,200	\$ 1,743,560,429
Midpoint of Balance/(Under Funded)	\$ 0	\$ -68,000,000	\$ -206,000,000
BIP - Balancing Incentive Payment Program HCBS - Home and Community-Based Services FMAP - Federal Medical Assistance Percentage ACA - Affordable Care Act			

FY 2015 Estimate. For FY 2015, the group agreed Medicaid will have a need of \$68.0 million. The estimate includes the following savings and expenditures enacted in [HF 2463 \(FY 2015 Health and Human Services Appropriations Act\)](#):

- An increase of \$79.1 million to replace federal funds due to a reduction in the Federal Medical Assistance Percentage (FMAP) rate.
- An increase of \$25.6 million to replace one-time funding sources and other revenue changes from FY 2014.
- An increase of \$6.0 million to reduce the Home and Community-Based Services waiver waiting list.
- An increase of \$3.1 million to fund the higher pharmacy dispensing fee survey.
- An increase of \$2.5 million to increase primary care physician rates.
- An increase of \$2.0 million for the cost of Hepatitis C drugs.
- An increase of \$1.4 million to provide coverage to foster children up to the age of 26, as required by the Affordable Care Act.
- An increase of \$1.3 million to rebase the nursing facility reimbursement rates.
- An increase of \$252,000 to increase eligibility for the Miller Trust to 125.0% of the statewide average.
- An increase of \$239,000 to provide a 10.0% increase for ambulance reimbursement rates.
- A decrease of \$1.1 million due to savings from the Balancing Incentive Payment Program.
- A decrease of \$9.1 million due to savings from the implementation of health homes for both children and adults.
- A decrease of \$11.9 million due to the elimination of the transfer to the IowaCare Program that ends during FY 2014.
- A decrease of \$16.3 million due to shifting Medicaid for Employed Persons with Disabilities (MEPD), Dependent Persons, and Pregnant Women to other coverage.

FY 2016 Estimate. For FY 2016, the group agreed Medicaid will have a need of \$206.0 million. The estimate includes the full cost of rebasing nursing facilities, hospitals, and home health services, all of which the General Assembly may choose to rebase at a lower level.

- An increase of \$68.0 million to fund the projected shortfall in FY 2015.
- An increase of \$56.1 million to replace federal funds due to a reduction in the FMAP rate. The FMAP adjustment includes a \$34.4 million increase due to a reduction of the regular FMAP, a \$15.1 million dollar increase due to the reduction of the Balancing Incentive Payment (BIP) Program enhanced FMAP rate, and a \$6.6 million increase due to a reduction of Health Home enhanced FMAP rate.
- An increase of \$32.5 million to rebase nursing facilities.
- An increase of \$5.4 million to fund the hospital rebase.
- An increase of \$3.4 million to fund the home health services Lower Upper Payment Limit (LUPA) adjustment.
- An increase of \$1.0 million to fund the hospital inpatient psychiatric cost-based adjustment.
- An increase of \$2.5 million to increase primary care physician rates.
- An increase of \$2.0 million for the cost of Hepatitis C drugs.
- A decrease of \$5.0 million due to savings from the implementation of health homes for both children and adults.

Medicaid Enrollment. For FY 2014, enrollment grew by 1.6% adding 6,279 individuals, for a total enrollment of 408,356. In the first eight months of FY 2015, Medicaid enrollment declined by 4,967 individuals, for a total Program enrollment of 403,389 individuals.

Medicaid Enrollment Increases/(Decreases) for FY 2015					
FY 2015	Children	Adults	Aged	Disabled	Total
July	-2,482	-886	-6	-82	-3,456
August	-1,459	-479	12	-1	-1,928
September	2,030	408	109	99	2,646
October	-255	-255	20	5	-485
November	-101	-262	-16	52	-327
December	-477	-426	0	33	-870
January	-1,463	-1,122	-219	145	-2,659
February	1,320	659	-71	203	2,111
Total FY 2015	-2,887	-2,363	-171	454	-4,967
Grand Total	230,065	62,313	30,865	80,146	403,389

Iowa Health and Wellness Program (I-HAWP) Enrollment. The new I-HAWP Program began on January 1, 2014. The Program is paid for with 100.0% federal dollars for the first three years. The enrollment through the first fiscal year (FY 2014) was 110,533, with 86,270 of those individuals enrolled in the Wellness Plan. For the first eight months of FY 2015, enrollment has increased by 11,824. Individuals enrolled in both the Iowa Wellness Plan and the Marketplace Choice Plan may be determined medically exempt by the DHS and provided coverage through the regular Medicaid State Plan if they meet certain requirements. As of February 2015, there were 11,824 Medically Exempt individuals.

I-HAWP Enrollment Increases/(Decreases) for FY 2015					
FY 2015	Marketplace Choice Plan	Wellness Plan	Presumptive Eligible	Total	Medically Exempt
July	721	-88	135	768	9,376
August	802	364	132	1,298	293
September	1,206	1,343	125	2,674	157
October	812	248	-2	1,058	371
November	1,121	267	-21	1,367	2,237
December	1,511	2,018	48	3,577	-69
January	-300	-923	86	-1,137	-559
February	1,137	2,673	-45	3,765	18
Total FY 2015	7,010	5,902	458	13,370	11,824
Grand Total	30,814	92,172	917	123,903	11,824

Home and Community-Based Services (HCBS) Waiver. The Medicaid HCBS Waivers provide support services to 26,639 individuals, helping them to stay in their homes instead of living in a facility. In FY 2014, the State spent \$244.9 million on the seven HCBS waivers, with the majority (\$183.8 million) spent on the Intellectual Disabilities Waiver.

Below is a chart of the current enrollment on the waivers, slots pending, and the number of individuals on the waiting list for each waiver. Individuals may apply for more than one waiver so there may be duplicate individuals on the waiting list. Individuals apply for the waivers before they go through the eligibility process, so there may be individuals on the waiting list that are not eligible, are no longer eligible, or no longer need waiver services.

Home and Community-Based Services Waivers February 2015			
	Waiver		
	Enrollment	Slots Pending	Waiting List
Intellectual Disabilities	12,670	0	0
Elderly	8,437	0	0
Health and Disability	2,051	695	457
Brain Injury	1,200	246	3,441
Children's Mental Health	726	438	1,196
Physical Disability	707	496	1,969
AIDS	29	0	2,638
Total	25,820	1,875	9,701

FY 2016 FMAP. The Bureau of Economic Analysis released their final state personal per capita income data for 2013 on September 30, 2014. This allowed states to calculate their final FY 2016 FMAP rates. The FY 2016 FMAP rates are based on per capita personal incomes for calendar years 2011-2013. Iowa's FY 2016 FMAP rate declined significantly dropping from 1.07% to 55.07%. The FMAP decrease also indicates that Iowa's economy is doing better compared to other states, resulting in a smaller share of the total FMAP pie for Iowa. Iowa's FMAP rate has declined 7.8% since FY 2012 and this shift means several hundred million dollars of Medicaid expenditures are shifted from the federal funding to state funding.

Ten Year State Regular Medicaid FMAP			
Fiscal Year	State Federal Share	State Share	Federal % Change
FY 2007	62.39%	37.61%	-1.21%
FY 2008	61.79%	38.21%	-0.59%
FY 2009	62.40%	37.60%	0.60%
FY 2010	63.29%	36.71%	0.89%
FY 2011	62.85%	37.15%	-0.44%
FY 2012	61.19%	38.81%	-1.66%
FY 2013	59.87%	40.13%	-1.32%
FY 2014	58.35%	41.65%	-1.53%
FY 2015	56.14%	43.86%	-2.21%
FY 2016	55.07%	44.93%	-1.07%

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